

**JAPARA HEALTHCARE LIMITED**

**ACN 168 631 052**

**Audit, Risk and Compliance Committee Charter**

**3 May 2019**

## 1 Membership of the Committee

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The Committee must consist of:

- only non-executive directors;
- a majority of independent directors;
- an independent chair, who is not chair of the Board; and
- a minimum of 3 members of the Board.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non-committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience (i.e. be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Company Secretary shall attend Committee meetings as minute secretary.

## 2 Administrative matters

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### 2.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to effectively fulfil their role. However, it is intended that the Committee will normally meet at least quarterly.

### 2.2 Quorum

The quorum is at least 2 members.

### 2.3 Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee, at the member's advised address for service of notice (or such other pre-notified interim address where relevant). However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### 2.4 Rights of access and authority

The Committee has rights of access to management and to auditors (external and internal) without management being present, and rights to seek explanations and additional information from both management and auditors. Whilst the internal audit function reports to senior management, it is acknowledged that the internal auditor also reports directly to the Committee.

The Committee may seek the advice of the Company's auditors, lawyers or such other independent advisers as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

## **2.5 Minutes**

Minutes of meetings of the Committee must be kept by the Company Secretary and, after review by the Committee chair, be circulated to the Board and formally approved at the following Committee meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any director.

## **2.6 Reporting**

The Committee chair will provide a brief oral report on any findings or material matters arising out of the Committee meeting, or requiring Board attention or approval at the next Board meeting. All directors will be permitted, within the Board meeting, to request information of the Committee chair or members of the Committee.

# **3 Role & Responsibilities**

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## **3.1 Overview**

The Committee's key responsibilities and functions are to:

- (a) oversee the Company's relationship with the external auditor and the external audit function generally;
- (b) oversee the Company's relationship with the internal auditor and the internal audit function generally;
- (c) oversee the preparation of the Company's financial statements and reports;
- (d) oversee the Company's financial controls and systems; and
- (e) oversee the process of identification and management of material risk, including management of financial risk.

## **3.2 Audit**

The Committee's primary roles are to:

- assist the Board in relation to the reporting of financial information;
- review the appropriate application and amendment of accounting policies;
- review the appointment, independence and remuneration of the external auditor; and
- provide a link between the external auditor, the Board and management.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- (a) Engage in the pro-active oversight of the Company's external reporting and disclosure processes and overseeing and reviewing the outputs of those processes (including review of the Company's financial statements for accuracy and to confirm they reflect a true and fair view, as a basis for recommendation for approval by the Board).
- (b) Assist the Board in determining the reliability and integrity of accounting policies, financial and non-financial reporting and disclosure practices.
- (c) Review financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results and non-financial information and oversee the financial reports and the results of external audit of those reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs).

- (d) Review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to those policies).
- (e) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- (f) Review management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices.
- (g) Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (h) Review the scope of the annual external audit plan for Board approval.
- (i) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditor believes special attention is necessary.
- (j) Review the results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function, including whether the internal auditor is adequately resourced and co-ordinated with the external auditor. Monitor the independence of the internal auditor from the external auditor and management. Review the outcomes and approve the internal audit programs.
- (k) Review and approve the appointment and removal of the internal auditor.
- (l) Review the performance, independence and objectivity of the external auditor.
- (m) Review the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- (n) Assume responsibility for the appointment (including the termination of an engagement), compensation, the terms of engagement and other contractual terms of the external auditor.
- (o) Monitor implementation of the Company's policy on the engagement of the external auditor for the supply of non-audit services in accordance with the approved policy. Review the policy annually for Board approval purposes.
- (p) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Directors' report

### 3.3 Risk and compliance

The Committee's specific function with respect to risk management is to review and report to the Board that:

- (a) the Company's ongoing risk management program effectively identifies all areas of actual or potential material risk;
- (b) adequate policies and procedures have been developed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

The following are intended to form part of the normal procedures for the Committee's risk and compliance responsibilities:

- Evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and procedures and limits approved by the Board for management of balance sheet risks.
- Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and the external auditor.
- Evaluating the structure and adequacy of the Group's business continuity plans.
- Evaluating the structure and adequacy of Group insurances on an annual basis.
- Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- Overseeing the establishment and maintenance of processes to safeguard that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or misconduct.
- Reviewing the Group's main corporate governance practices for appropriateness and accuracy.
- Reviewing the procedures in place to safeguard compliance with laws and regulations (particularly those which have a major potential impact on the Group in areas such as trade practices, occupational health and safety and the environment).
- Reviewing the procedures in place to safeguard compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.
- Review liquidity management strategy (six monthly) and governance systems for RADs / accommodation bonds (annually) for prudential compliance purposes and recommend for Board approval annually.

## 4 Relationship with the external auditor

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The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's External Audit Policy, a copy of which is attached as Attachment 1.

## 5 Relationship with the internal auditor

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The Committee has the responsibility of:

- (a) reviewing the internal auditor's objectives, competence and resourcing (including determining whether the internal audit function is to be provided by an internal or external provider);
- (b) ensuring an appropriate program of internal audit activity is conducted each financial year;
- (c) reviewing and monitoring the progress of internal audit programs (including without the presence of management);
- (d) overseeing the coordination of the internal and external audits; and
- (e) evaluating and critiquing management's responsiveness to internal audit findings and recommendations.

## 6 Review

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The Committee will, at least once in each year, review its membership and Charter to determine their adequacy for current circumstances. The Committee may make recommendations to the Board in relation to its membership, responsibilities, functions or otherwise.

## External Audit Policy

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### Appointment

The Audit, Risk and Compliance Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

### Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

### Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out at least annually.

Prior to this review, the Committee may request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the Directors approve the half-year and full year financial statements and reports, the external auditor will be asked to provide a declaration testifying to its independence in respect of the reporting period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to monitor compliance with the Company's policy for the engagement of the external auditor to supply non-audit services. It is also responsible for reviewing this policy annually for Board approval purposes.

### Rotation of External Audit Engagement Partner

The external audit engagement partner is required to rotate at least once every 5 years unless otherwise determined by the Board.